

CS FOR SENATE BILL NO. 53(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - THIRD SPECIAL SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 9/14/21

Referred: Today's Calendar

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to use of income of the Alaska permanent fund; relating to the amount**
2 **of the permanent fund dividend; relating to the duties of the commissioner of revenue;**
3 **and providing for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 LEGISLATIVE INTENT. It is the intent of the legislature to

8 (1) implement the recommendations of the 2021 Comprehensive Fiscal Plan
9 Working Group; and

10 (2) allow for adequate time to debate, analyze, and implement the revenue
11 measures and cost reductions required for the long-term financial stability of the state.

12 * **Sec. 2.** AS 37.13.140 is amended to read:

13 **Sec. 37.13.140. Income.** (a) [NET INCOME OF THE FUND INCLUDES
14 INCOME OF THE EARNINGS RESERVE ACCOUNT ESTABLISHED UNDER

1 AS 37.13.145.] Net income of the fund shall be computed annually as of the last day
 2 of the fiscal year in accordance with generally accepted accounting principles,
 3 excluding any unrealized gains or losses. [INCOME AVAILABLE FOR
 4 DISTRIBUTION EQUALS 21 PERCENT OF THE NET INCOME OF THE FUND
 5 FOR THE LAST FIVE FISCAL YEARS, INCLUDING THE FISCAL YEAR JUST
 6 ENDED, BUT MAY NOT EXCEED NET INCOME OF THE FUND FOR THE
 7 FISCAL YEAR JUST ENDED PLUS THE BALANCE IN THE EARNINGS
 8 RESERVE ACCOUNT DESCRIBED IN AS 37.13.145.]

9 (b) The corporation shall determine the amount available for appropriation
 10 each year. The amount available for appropriation is five percent of the average
 11 market value of the fund for the first five of the preceding six fiscal years, including
 12 the fiscal year just ended, computed annually for each fiscal year in accordance with
 13 generally accepted accounting principles. In this subsection, "average market value of
 14 the fund" includes the balance of the earnings reserve account established under
 15 AS 37.13.145, but does not include that portion of the principal attributed to the
 16 settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First
 17 Judicial District). **The amount available for appropriation may not exceed the**
 18 **balance in the earnings reserve account described in AS 37.13.145.**

19 * **Sec. 3.** AS 37.13.145(b) is amended to read:

20 (b) **Each** [AT THE END OF EACH] fiscal year, the **legislature may**
 21 **appropriate** [CORPORATION SHALL TRANSFER] from the earnings reserve
 22 account to the dividend fund established under AS 43.23.045, **the amount necessary**
 23 **to distribute the following amounts for permanent fund dividends to each eligible**
 24 **individual for each of the following fiscal years:**

25 **(1) \$1,100 in fiscal year 2022;**

26 **(2) \$1,100 in fiscal year 2023;**

27 **(3) \$1,200 in fiscal year 2024;**

28 **(4) \$1,300 in fiscal year 2025; and**

29 **(5) \$1,300 in each fiscal year after fiscal year 2025, adjusted for**
 30 **inflation calculated by**

31 **(A) computing the average of the monthly United States**

1 Consumer Price Index for all urban consumers for each of the two
 2 previous calendar years;

3 (B) computing the percentage change between the first and
 4 second calendar year average; and

5 (C) applying that rate to the value of the dividend paid for
 6 the fiscal year just ended [50 PERCENT OF THE INCOME AVAILABLE
 7 FOR DISTRIBUTION UNDER AS 37.13.140].

8 * **Sec. 4.** AS 37.13.145(b), as amended by sec. 3 of this Act, is amended to read:

9 (b) Each fiscal year, the legislature may appropriate from the earnings reserve
 10 account to the

11 (1) dividend fund established under AS 43.23.045, 50 percent of the
 12 amount available for appropriation under AS 37.13.140(b); and

13 (2) general fund, 50 percent of the amount available for
 14 appropriation under AS 37.13.140(b) [THE AMOUNT NECESSARY TO
 15 DISTRIBUTE THE FOLLOWING AMOUNTS FOR PERMANENT FUND
 16 DIVIDENDS TO EACH ELIGIBLE INDIVIDUAL FOR EACH OF THE
 17 FOLLOWING FISCAL YEARS:

18 (1) \$1,100 IN FISCAL YEAR 2022;

19 (2) \$1,100 IN FISCAL YEAR 2023;

20 (3) \$1,200 IN FISCAL YEAR 2024;

21 (4) \$1,300 IN FISCAL YEAR 2025; AND

22 (5) \$1,300 IN EACH FISCAL YEAR AFTER FISCAL YEAR 2025,

23 ADJUSTED FOR INFLATION CALCULATED BY

24 (A) COMPUTING THE AVERAGE OF THE MONTHLY
 25 UNITED STATES CONSUMER PRICE INDEX FOR ALL URBAN
 26 CONSUMERS FOR EACH OF THE TWO PREVIOUS CALENDAR
 27 YEARS;

28 (B) COMPUTING THE PERCENTAGE CHANGE
 29 BETWEEN THE FIRST AND SECOND CALENDAR YEAR AVERAGE;
 30 AND

31 (C) APPLYING THAT RATE TO THE VALUE OF THE

1 DIVIDEND PAID FOR THE FISCAL YEAR JUST ENDED].

2 * **Sec. 5.** AS 37.13.145(c) is amended to read:

3 (c) After the **appropriations** [TRANSFER] under (b) and an appropriation
4 under (e) of this section, the **legislature may appropriate** [CORPORATION SHALL
5 TRANSFER] from the earnings reserve account to the principal of the fund an amount
6 sufficient to offset the effect of inflation on the principal of the fund during that fiscal
7 year. However, none of the amount transferred shall be applied to increase the value of
8 that portion of the principal attributed to the settlement of State v. Amerada Hess, et
9 al., 1JU-77-847 Civ. (Superior Court, First Judicial District) on July 1, 2004. The
10 corporation shall calculate the amount to transfer to the principal under this subsection
11 by

12 (1) computing the average of the monthly United States Consumer
13 Price Index for all urban consumers for each of the two previous calendar years;

14 (2) computing the percentage change between the first and second
15 calendar year average; and

16 (3) applying that rate to the value of the principal of the fund on the
17 last day of the fiscal year just ended, including that portion of the principal attributed
18 to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court,
19 First Judicial District).

20 * **Sec. 6.** AS 37.13.145(c), as amended by sec. 5 of this Act, is amended to read:

21 (c) After the appropriations under (b) [AND AN APPROPRIATION UNDER
22 (e)] of this section, the legislature may appropriate from the earnings reserve account
23 to the principal of the fund an amount sufficient to offset the effect of inflation on the
24 principal of the fund during that fiscal year. However, none of the amount transferred
25 shall be applied to increase the value of that portion of the principal attributed to the
26 settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First
27 Judicial District) on July 1, 2004. The corporation shall calculate the amount to
28 transfer to the principal under this subsection by

29 (1) computing the average of the monthly United States Consumer
30 Price Index for all urban consumers for each of the two previous calendar years;

31 (2) computing the percentage change between the first and second

1 calendar year average; and

2 (3) applying that rate to the value of the principal of the fund on the
3 last day of the fiscal year just ended, including that portion of the principal attributed
4 to the settlement of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court,
5 First Judicial District).

6 * **Sec. 7.** AS 37.13.145(d) is amended to read:

7 (d) Notwithstanding (b) of this section, income earned on money awarded in
8 or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior
9 Court, First Judicial District), including settlement, summary judgment, or adjustment
10 to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned
11 on the money, or on the earnings of the money shall be treated in the same manner as
12 other income of the Alaska permanent fund, except that it is not available for
13 **appropriation** [DISTRIBUTION] to the dividend fund **under AS 37.13.140(b)**, for
14 **an appropriation** [TRANSFERS] to the principal under (c) of this section, or for an
15 appropriation under (e) of this section, and shall be annually deposited into the Alaska
16 capital income fund (AS 37.05.565).

17 * **Sec. 8.** AS 37.13.145(d), as amended by sec. 7 of this Act, is amended to read:

18 (d) Notwithstanding (b) of this section, income earned on money awarded in
19 or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior
20 Court, First Judicial District), including settlement, summary judgment, or adjustment
21 to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned
22 on the money, or on the earnings of the money shall be treated in the same manner as
23 other income of the Alaska permanent fund, except that it is not available for
24 appropriation to the dividend fund under AS 37.13.140(b) **or** [, FOR AN
25 APPROPRIATION] to the principal under (c) of this section, [OR FOR AN
26 APPROPRIATION UNDER (e) OF THIS SECTION,] and shall be annually
27 deposited into the Alaska capital income fund (AS 37.05.565).

28 * **Sec. 9.** AS 37.13.145(f) is amended to read:

29 (f) **An appropriation under (b) of this section may not exceed 50 percent**
30 **of the amount available for appropriation under AS 37.13.140(b)**. The combined
31 total of the **appropriations** [TRANSFER] under (b) [OF THIS SECTION] and [AN

1 APPROPRIATION UNDER] (e) of this section may not exceed the amount available
2 for appropriation under AS 37.13.140(b).

3 * **Sec. 10.** AS 37.13.300(c) is amended to read:

4 (c) Net income from the mental health trust fund may not be included in the
5 computation of **the amount** [NET INCOME OR MARKET VALUE] available for
6 [DISTRIBUTION OR] appropriation under **AS 37.13.140(b)** [AS 37.13.140].

7 * **Sec. 11.** AS 37.14.031(c) is amended to read:

8 (c) The net income of the fund shall be determined by the Alaska Permanent
9 Fund Corporation **and shall be computed annually as of the last day of the fiscal**
10 **year in accordance with generally accepted accounting principles, excluding any**
11 **unrealized gains or losses** [IN THE SAME MANNER THE CORPORATION
12 DETERMINES THE NET INCOME OF THE ALASKA PERMANENT FUND
13 UNDER AS 37.13.140].

14 * **Sec. 12.** AS 43.23.025(a) is amended to read:

15 (a) By October 1 of each year, the commissioner shall determine the value of
16 each permanent fund dividend for that year by

17 (1) determining the total amount available for dividend payments,
18 which equals

19 (A) the amount **appropriated** [OF INCOME OF THE
20 ALASKA PERMANENT FUND TRANSFERRED] to the dividend fund
21 under AS 37.13.145(b) during the current year;

22 (B) plus the unexpended and unobligated balances of prior
23 fiscal year appropriations that lapse into the dividend fund under
24 AS 43.23.045(d);

25 (C) less the amount necessary to pay prior year dividends from
26 the dividend fund in the current year under AS 43.23.005(h), 43.23.021, and
27 43.23.055(3) and (7);

28 (D) less the amount necessary to pay dividends from the
29 dividend fund due to eligible applicants who, as determined by the department,
30 filed for a previous year's dividend by the filing deadline but who were not
31 included in a previous year's dividend computation;

1 (E) less appropriations from the dividend fund during the
2 current year, including amounts to pay costs of administering the dividend
3 program and the hold harmless provisions of AS 43.23.240;

4 (2) determining the number of individuals eligible to receive a
5 dividend payment for the current year and the number of estates and successors
6 eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

7 (3) dividing the amount determined under (1) of this subsection by the
8 amount determined under (2) of this subsection.

9 * **Sec. 13.** AS 37.13.145(e) and 37.13.145(f) are repealed.

10 * **Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 **CONDITIONAL EFFECT.** (a) Sections 4, 6, 8, and 13 of this Act take effect only if,
13 by December 15, 2024, the commissioner of revenue and the director of the legislative
14 finance division jointly agree that revenue measures anticipated to generate at least
15 \$700,000,000 of new annually recurring general fund revenue, when compared to annual
16 revenue generated from the statutes as they read on June 30, 2021, have been passed by the
17 Alaska State Legislature and enacted into law.

18 (b) The commissioner of revenue and the director of the legislative finance division
19 shall notify the revisor of statutes in a joint letter if, before December 15, 2024, revenue
20 measures anticipated to generate at least an estimated \$700,000,000 of new annually recurring
21 general fund revenue, when compared to annual revenue generated from the statutes as they
22 read on June 30, 2021, have been passed by the Alaska State Legislature and enacted into law.

23 (c) In this section, "general fund revenue" does not include revenue from the
24 permanent fund.

25 * **Sec. 15.** If, under sec. 14 of this Act, secs. 4, 6, 8, and 13 of this Act take effect, they take
26 effect July 1, 2025.

27 * **Sec. 16.** Except as provided in sec. 15 of this Act, this Act takes effect immediately under
28 AS 01.10.070(c).